

**WALLER LANSDEN DORTCH & DAVIS**

A PROFESSIONAL LIMITED LIABILITY COMPANY

NASHVILLE CITY CENTER  
511 UNION STREET, SUITE 2100  
POST OFFICE BOX 198966  
NASHVILLE, TENNESSEE 37219-8966  
(615) 244-6380

FACSIMILE  
(615) 244-6804

D Billye Sanders  
(615) 252-2451  
bsanders@wallerlaw.com

REC'D TN  
REGULATORY AUTH.

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809 SOUTH MAIN STREET  
OFFICE P.O. BOX 1035  
COLUMBIA, TENNESSEE 37602-1035  
EXECUTIVE SECRETARY  
(931) 388-6031

April 16, 1999

**Via Hand-Delivery**

K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Application of Tengasco Pipeline Corporation for a Certificate of Public Convenience and Necessity to Provide IntraState Natural Gas Services; Docket No. 98-00156

Dear Mr. Waddell:

This letter comes in response to the directive from the Chairman at the Authority Conference on April 6, 1999 to come up with language regarding conditions to the granting of Tengasco Pipeline Corporation's ("TPC's") request that the TRA defer ruling on the substantive issues in this matter until after the General Assembly has acted on certain pending litigation. The parties were unable to reach an agreement on language therefore, I am submitting this letter (i) to inform the Authority that TPC did attempt to negotiate in good faith regarding conditions for deferral, (ii) to set forth TPC's position regarding proposed conditions of a deferral and (iii) to state the reasons why TPC cannot agree to the language proposed by Mr. Bovender.

Mr. Bovender faxed a proposal to me late Thursday afternoon (April 8). On Monday, April 12, I thought I was involved in meaningful discussions and negotiations with Mr. Welch regarding conditions for the delay, however, due to the unavailability of counsel for the utility districts, it did not become apparent that the utility districts were not willing to negotiate the language in the letter until late

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Tuesday afternoon. In fact, Arthur Scott (who was present for Bill Bovender), Chuck Welch and I were on a conference call with Richard Collier until after 5:30 p.m. on Tuesday, April 13 discussing the impasse.

As stated at the Authority Conference, TPC would agree not to serve end-users and would further agree not to construct facilities to end-users in Claiborne, Hawkins and Hancock County during the deferral period. TPC requested that the matter be deferred until the end of the General Assembly's spring/summer session. However, TPC was willing to accept a lesser deferral period with a date certain that could be extended at the discretion of the Authority if the legislature had not acted on the relevant bills or ended its session.

With respect to Item 2 in Mr. Bovender's letter, this proposal went beyond the scope of this docket. Tengasco Pipeline Corporation is the party in this docket over which the TRA has jurisdiction and any order of the TRA should be directed at TPC. Because of the broad nature of the language, TPC expressed concern about how it could be interpreted or construed. TPC plans to continue working with Tengasco, Inc. to construct pipelines from Tengasco, Inc.'s wells to TPC's main lines. While any such pipeline construction during the deferral period would not be for the purpose of serving end-users, the language proposed by Mr. Bovender could possibly be interpreted as improving TPC's position to serve end-users. However, the utility districts were unwilling to entertain any clarifying language. With respect to marketing to end-users, this condition went beyond what was necessary to maintain the status quo. Any company, even a company without a certificate, can lawfully go to potential customers and ask them if they would be interested in using a service if it were available. TPC was also concerned that the proposed language may be intended or construed to prohibit solicitation of support for its position in its lobbying efforts.

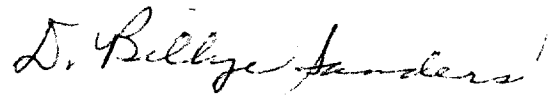
I communicated to the utility districts' counsel that TPC would agree to conditions as stated in paragraph three of this letter and attempted in good faith to negotiate clarifying language regarding the utility districts proposal. The utility districts indicated that their proposal was non-negotiable. TPC cannot accept the utility districts' overly-broad language and conditions. Therefore, TPC would rather have the TRA decide the case on its merits, than accept the utility districts' proposal. We appreciate having been allowed an opportunity to negotiate, however, we do not believe the utility districts have negotiated the conditions of the

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requested postponement in good faith and therefore prefer to defer the matter to the TRA.

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders".

D. Billye Sanders

DBS:lmb

cc: Richard Collier, Esq.  
William C. Bovender, Esq.  
T. Arthur Scott, Esq.  
Charles B. Welch, Jr., Esq.  
Michael E. Ratliff  
Representative Joe Armstrong  
Robert Carter  
James E. Kaiser, Esq.